

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 NSA-01 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-01 INR-07 CIEP-02 SP-02 STR-04  
TRSE-00 LAB-04 SIL-01 OMB-01 EA-09 IO-13 NEA-10  
USIA-15 OPIC-06 L-03 /106 W  
-----161955Z 067009 /46

R 161719Z FEB 77  
FM USMISSION EC BRUSSELS  
TO SECSTATE WASHDC 3058  
INFO ALL EC CAPITALS 3154  
USDEL MTN GENEVA  
USMISSION GENEVA  
USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 EC BRUSSELS 1529

PASS AGRICULTURE ELECTRONICALLY

E.O.11652: N/A  
TAGS: EAGR EEC  
SUBJECT: EC COUNCIL OF AGRICULTURAL MINISTERS, FEBRUARY 14-15, 1977

REF: (A) EC BRUSSELS 1437 (B) EC BRUSSELS 1514  
(C) EC BRUSSELS 1516 (D) 75 EC A-382 (E) 76 EC BRUSSELS 12640  
(F) EC BRUSSELS 841

1. BEGIN SUMMARY. THE EC COUNCIL OF AGRICULTURAL MINISTERS  
HAD A PRELIMINARY TOUR DE TABLE ON THE COMMISSION'S FARM  
PRICE PROPOSALS FOR 1977/78 (REFS. A THROUGH C); AGREED IN  
PRINCIPLE TO A PACKAGE OF FISH CONSERVATION MEASURES (SEE  
SEPTEL); EXTENDED THE CXT SUSPENSIONS ON NEW AND WARE POTATOES;  
APPROVED A FEOGA CONTRIBUTION OF 400 MILLION U.A. TOWARDS IMPROVING  
THE PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS; AND  
DISCUSSED THE UK PIG SUBSIDY, PROBLEMS IN THE WINE SECTOR AND THE  
PROPOSED POTATO CAP. THE NEXT COUNCIL MEETINGS ARE SCHEDULED  
FOR MARCH 14-15 AND 25-27 AND WILL BE CONSECRATED LARGELY TO  
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THE FARM PRICE PACKAGE. END SUMMARY.

2. COMMISSION'S PRICE PROPOSALS. THE EC AGRICULTURAL MINISTERS  
DISCUSSED FOR THE FIRST TIME THE COMMISSION'S 1977/78 PRICE  
PACKAGE, WHICH WAS SUBMITTED TO THE COUNCIL FEBRUARY 11.  
COMMENTS WERE OF A GENERAL NATURE AS NO MEMBER STATE GOVERNMENT  
HAD AS YET DETERMINED ITS OFFICIAL POSITION. THE UK INDICATED

THAT THE PROPOSED ADJUSTMENT IN THE UK GREEN RATE, WHICH WOULD LEAD TO AN 8 POINT REDUCTION IN ITS MONETARY COMPENSATORY AMOUNTS, WAS "UNJUSTIFIED." THE UK'S CONSUMER FOOD BILL WOULD INCREASE BY 2 PERCENT JUST WITH THE FINAL TRANSITIONAL STEPS TO COMMON PRICE LEVELS; ANY FURTHER INCREASES VIA GREEN POUND ADJUSTMENT OR RAISING COMMON PRICES WOULD EXACERBATE THE UK'S ANTI-INFLATION EFFORTS. THE BENELUX COUNTRIES PUSHED FOR STRONGER PRICE INCREASES, PARTICULARLY IN THE DAIRY SECTOR. THE COMMISSION PROPOSAL WOULD MEAN A VIRTUAL PRICE FREEZE FOR GERMAN FARMERS AND MINISTER ERTL SAID IT WOULD BE POLITICAL SUICIDE FOR HIM TO ACCEPT IT. FRANCE WAS FAVORABLE TO THE COMMISSION'S PACKAGE ON THE WHOLE, BUT WANTED A LARGER RISE IN BEEF PRICES AND SUGAR QUOTAS. ACCORDING TO A GOF MEMORANDUM ISSUED LAST WEEK, FRANCE ALSO WANTS TO REFORM THE MCA SYSTEM BY NOT APPLYING MCA'S ON THIRD COUNTRY IMPORTS, CALCULATING MCA'S FOR PROCESSED AGRICULTURAL PRODUCTS ON BASIS OF RAW MATERIALS, ADJUSTING MCA'S FOR AGRICULTURAL PRODUCTS WHICH INCORPORATE SOYBEANS, AND BY INCREASING THE 1.5 PERCENT MARGIN BY WHICH MCA'S ARE REDUCED. THE IRISH AND DANES ALSO FELT THAT MORE MUST BE DONE TO REDUCE MCA'S. IRELAND WANTS MORE SUPPORT FOR BEEF AND DENMARK FOR DAIRY. ITALY IS CONCERNED ABOUT MINIMIZING ITS FOOD IMPORT BILL ON THE ONE HAND WHILE WANTING PRICE RISES FOR ITS HOME PRODUCTION ON THE OTHER HAND.

3. THE AGRICULTURAL MINISTERS WILL BE TAKING UP THE PRICE PACKAGE AGAIN AT THEIR NEXT COUNCIL MEETINGS, NOW SCHEDULED FOR MARCH 14-15 AND 25-27. IT IS HOPED THAT THE ECONOMIC AND SOCIAL COMMITTEE AS WELL AS THE EUROPEAN PARLIAMENT WILL HAVE APPROVED THE COMMISSION'S PROPOSAL BEFORE THE LATTER COUNCIL MEETING. THE UNCLASSIFIED

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PRESIDENCY WOULD LIKE TO REACH FINAL COUNCIL APPROVAL ON THE FARM PRICES BY APRIL 1, THE DATE WHEN THE NEW MARKETING SEASONS FOR CERTAIN COMMODITIES BEGIN.

4. POTATOES. THE COUNCIL EXTENDED THE TEMPORARY TARIFF SUSPENSIONS FOR NEW POTATOES FROM MARCH 1 TO MARCH 31, 1977 AND FOR POTATOES OTHER THAN SEED OR NEW FROM MARCH 1 TO APRIL 15, 1977. THE COUNCIL ALSO DISCUSSED THE PROPOSED POTATO CAP AND REMANDED IT TO THE SPECIAL AGRICULTURAL COMMITTEE FOR FURTHER REVIEW. THE DUTCH FELT THAT THE CURRENT PROPOSAL WOULD LEAD TO TOO MUCH MARKET SUPPORT AT A HEAVY FINANCIAL COST. THE UK AND OTHER DELEGATIONS WANTED A WIDER RANGE OF BODIES TO SUPPORT THE MARKET, NOT JUST PRODUCER GROUPS AS SPECIFIED IN THE PROPOSAL.

5. STRUCTURAL MARKETING AND PROCESSING AIDS. THE COUNCIL GAVE FINAL APPROVAL TO A COMMISSION PROPOSAL WHICH WOULD PROVIDE 400 MILLION U.A. OUT OF THE FEOGA GUIDANCE SECTION TOWARDS IMPROVING THE PROCESSING AND MARKETING CONDITIONS FOR AGRICULTURAL PRODUCTS. THE FUNDS WOULD BE USED OVER THE NEXT 5 YEARS TO CONTRIBUTE TOWARDS

THE FINANCING OF INVESTMENTS FOR STOCKING, CONDITIONING, CONSERVING, TREATING, OR PROCESSING AGRICULTURAL PRODUCTS; FOR IMPROVING MARKETING CHANNELS (E.G., REGROUPING INTERMEDIARIES OR MIDDLEMEN TO NARROW THE GAP BETWEEN THE FARMER AND COMMERCIAL CENTER); AND FOR IMPROVING MARKETING INFORMATION. THE FEOGA CONTRIBUTION FOR ELIGIBLE PROJECTS WILL COVER UP TO 25 PERCENT OF THE INVESTMENT IN CAPITAL BUT CAN BE AS HIGH AS 30 PERCENT FOR PROJECTS IN DISADVANTAGED AREAS. COMMUNITY AID IS SUBJECT TO AT LEAST A 50 PERCENT PARTICIPATION BY THE BENEFICIARY AND MINIMUM 5 PERCENT NATIONAL PARTICIPATION.

6. UK PIG SUBSIDY. THE UK EXPLAINED THAT IT HAD GONE AHEAD TO ESTABLISH A PIG SUBSIDY JANUARY 31 DESPITE THE COMMISSION'S RECOMMENDATION AGAINST IT (REF F) BECAUSE: A) THE COMMUNITY HAD FAILED TO MODIFY THE MCA CALCULATION ON PORK PER UK REQUEST OF SEPTEMBER, B) THE INCREASED SLAUGHTERINGS OF SOWS WERE SUCH AS TO THREATEN UK PRODUCING HERDS, C) EMPLOYMENT IN THE PORK UNCLASSIFIED

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PROCESSING INDUSTRY WAS BEING ADVERSELY AFFECTED BY LOW PRICES AND IMPORTS. THE DUTCH AND DANES SHARPLY CRITICIZED THE UK FOR TAKING UNILATERAL ACTION AND FELT THAT THEY SHOULD NOT NEGOTIATE A COMMUNITY SOLUTION TO THE PORK SECTOR WHILE THE UK SUBSIDY WAS MAINTAINED. THE IRISH AND FRENCH STATED THAT THE PORK SECTOR WAS A GOOD EXAMPLE OF THE NEED TO CHANGE HOW THE MCA'S ON PROCESSED PRODUCTS ARE CALCULATED. THEY AND THE UK BELIEVE THAT THE MCA'S ON PORK SHOULD BE CALCULATED ON THE BASIS OF GRAINS. COMMISSIONER GUNDELACH SAID THAT A COMMUNITY SOLUTION MUST BE FOUND FOR THE PORK SECTOR BUT THAT THE COMMISSION WOULD CONTINUE ITS ARTICLE 93 PROCEEDINGS AGAINST THE UK.

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USIA-15 OPIC-06 L-03 /106 W

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PASS AGRICULTURE ELECTRONICALLY

7. WINE. THERE WAS A BRIEF SKIRMISH BETWEEN THE FRENCH AND ITALIANS ON WINE TO WHICH PRESIDENT SILKIN PUT A FINAL STOP BY ANNOUNCING THAT HE WOULD NO "REFEREE A PING-PONG MATCH." THE FRENCH COMPLAINED THAT THE ITALIAN MCA ON WINE WAS NOT SET AT THE RIGHT LEVEL AND THAT VOLUMES OF ITALIAN WINE WERE CONTINUING TO POUR IN OVER THE FRENCH BORDER AT BELOW THE ACTIVATING PRICE LEVEL. ITALIAN MINISTER MARCORA ACCUSED THE FRENCH OF ESTABLISHING INTERPROFESSIONAL AGREEMENTS WHEREBY FRENCH TRADERS WOULD NOT IMPORT ITALIAN WINE OF AN ALCOHOLIC STRENGTH OF BELOW 13 DEGREES. IF THAT WERE TO CONTINUE, MARCORA SAID THE ITALIANS THEMSELVES COULD FIND WAYS TO IMPEDE IMPORTS OF FRENCH AGRICULTURAL PRODUCTS LIKE MEAT AND DAIRY PRODUCTS INTO THEIR COUNTRY. FRENCH MINISTER BONNET DENIED THAT THERE WERE ANY ARRANGEMENTS WORKING TOWARDS RESTRICTING ITALIAN WINE IMPORTS INTO FRANCE. ANOTHER COMPLAINT FROM FRANCE WAS THAT THE HIGH LEVEL OF EXCISE AND OTHER TAXES ON WINE IN CERTAIN MEMBER STATES (E.G., THE RECENTLY ANNOUNCED BELGIAN VAT INCREASES FOR SEVERAL PRODUCTS INCLUDING UNCLASSIFIED

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WINE) WORKED TOWARDS DISCOURAGING CONSUMPTION.MORRIS

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## Message Attributes

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